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SUBJECT: SCENESETTER FOR ADM ULRICH VISIT TO MONTENEGRO

SENSITIVE BUT UNCLASSIFIED

Summary

11. (SBU) Welcome back to Montenegro. Your visit comes as the Montenegrins debate their new draft constitution, and as the opposition continues its misinformed attacks on the GoM-USG SOFA, and our Article 98 agreement. The Montenegrin leadership continues its pro-West, pro-American stance, while looking to maintain good relations with Moscow. The GoM remains a receptive interlocutor, eager to develop strong ties with Washington and to prove itself a reliable partner. GoM membership in Partnership for Peace drew limited criticism, and there has been much publicity but little notice given to Montenegro's involvement in the State Partnership Program (linked to Maine). A DAO was established in late 2006, and the first resident DATT will arrive in July 2007. End Summary.

Strategic Situation: SOFA and Article 98

12. (SBU) The Montenegrin leadership strongly believes their country's future lies within PfP, and eventually NATO and the EU. Unfortunately, the opposition (even those supportive of a good relationship with the U.S.) have seen the May 1 SOFA and April 19 Article agreements as fulcrums upon which to lever attacks on the GoM. A persistent pattern of attacks on both agreements, fed by misinformation, has arisen. While the opposition leadership has accurate information --post verified this point -- they have told the embassy that they are looking for hooks upon which to hang attacks on the GoM. They have played up sharply the EU dislike of Article 98 agreements, and have painted a false scenario whereby Montenegro would have to choose between NATO and EU memberships. The GoM is aware of the actual situation, but the message has gotten lost in the noise. It is not clear what the public thinks about the controversy; it is likely they view the attacks as the latest "scandal" to be used by the opposition to beat up on the GoM.

13. (SBU) President Vujanovic appears ready to provide the

necessary leadership to energize his nation and military for eventual participation in GWOT. In Washington in early May, he told Secretary Gates that Montenegro wants to send a small number of officers to GWOT (probably Afghanistan) in 2008. Vujanovic signed the SOFA with Secretary Rice on May 1, and has defended the GoM's conclusion of the Article 98 agreement on April 19 through an exchange of diplomatic notes. The GoM has established, and is rapidly expanding its Defense Ministry, and the 2007 defense budget is 2.04% of GDP. The GoM delivered its Presentation Document to NATO in early May, after joining the Partnership for Peace on December 14.

¶4. (U) Montenegro's Presentation Document states it seeks to become a member of NATO. It will conduct the Planning and Review Process (PARP), and develop an Individual Partnership Program. It seeks consultations on its Individual Partnership Action Plan (IPAP) and Membership Action Plan (MAP). It has established both a Mission to NATO, and a Partnership for Peace Council, chaired by the PM.

Defense and Security

¶5. (SBU) The Montenegrin Armed Forces (MAF) are led by Lieutenant Colonel General Jovan Lakcevic. The Chief of Defense (CHOD) is committed to transitioning the MAF into a deployable light-infantry force numbering approximately 2400 officers and men with air and naval support bases. The Navy is leaving Kotor Bay for Bar later this year. The MAF's main missions would be national defense, participation in peacekeeping, as well as disaster relief. General Lakcevic envisions a potential MAF

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security contribution of four platoons each having niche capabilities such as special operations/counter-terrorism, military police, combat engineers, and mountain infantry. The CHOD views participation in U.S.-led operations as the best means to form the nucleus of a professional, interoperable MAF trained to NATO standards.

Political Situation

¶6. (U) The independence referendum held in Montenegro on May 21, 2006 was widely considered free, fair, and transparent by international observers. The Republic Referendum Commission confirmed the referendum's success on May 31. Turnout was 86.5 percent, with 230,661 voters (55.5 percent) supporting independence and 185,002 voters (44.5 percent) against.

¶7. (U) On June 3, parliament officially accepted the referendum results and declared Montenegro independent, restoring sovereignty after 87 years.

¶8. (U) Montenegro joined the OSCE on June 22, 2006, the UN on June 28, 2006, and the Council of Europe on May 11, 2007. The U.S. recognized Montenegro on June 12, 2006, and announced the establishment of diplomatic relations on August 15, 2006. The U.S. Consulate officially became an Embassy on October 5, 2006; nine other NATO countries have resident embassies in Montenegro.

Russia and China also have embassies in Montenegro.

¶9. (SBU) On September 10, 2006 Montenegro had its first Republic-wide parliamentary elections, with the ruling DPS/SDP coalition winning an absolute majority in parliament, with 41 of 81 seats. OSCE considered the voting "generally in line" with international standards. The opposition is fractured into three blocs, with the formal Leader of the Opposition being Andrija Mandic, head of the nationalist Serbian People's Party (SNS). Mandic, while personally disposed to pursue good relations with the U.S., is not above creating controversy over agreements with the U.S. in order to play to his nationalist voter base by attacking the GoM. Mandic recently told post that he was going to make transparency of the SOFA an issue, but he jovially admitted that the GoM thwarted that tack by posting the agreements on the GoM website

-- so he shifted to the process by which the GoM had concluded the agreements, as well as to willful distortions of the substance. SNS is in coalition with the Serbian Radical Party, with the Radicals gaining one seat in the Montenegrin Parliament. Unlike the other opposition groupings, a slim majority of the "Serbian List" opposes NATO (but not EU) membership for Montenegro.

Happy First Birthday

¶10. (SBU) Your visit comes as Montenegro marks the first anniversary of the referendum vote. A year on, no major political figure raises objections to Montenegro's renewed independence. Serbian nationalist opposition parties, such as SNS, and centrist parties like the Socialist People's Party (SNP) have yet to embrace the literal symbols of independence (flag, anthem, etc.), even while they fully engage in the political life of independent Montenegro.

¶11. (U) Prime Minister Zeljko Sturanovic took over from long-time PM Djukanovic last fall as the head of a stable, pro-Western coalition government. Like Djukanovic, Sturanovic's primary foreign policy goals are EU and NATO membership and he would like to ally Montenegro closely with the United States.

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Domestically, the government's track record on fully implementing needed democratic and economic reforms is generally positive, but with some room for improvement, particularly on implementation .

Fighting Corruption

¶12. (U) Sturanovic has created a broad-based task force to tackle corruption and increase public confidence in state institutions. He named his highly-capable Deputy Prime Minister Gordana Djurovic to head the team, with day-to-day tasks directed by Vesna Ratkovic, formerly a deputy minister of Justice and most recently in charge of USAID's Rule of Law program. He also named opposition MP's and watchdog NGO members to the force. Corruption is seen as existing at all levels, and many many Montenegrins list corruption as the country's biggest problem (along with low living standards). In this process,

implementation of existing legislation will be key.

Attracting Investment

¶13. (U) Montenegro has been successful in attracting foreign direct investment (FDI), but so far very little of that has been American. In 2006, FDI amounted to over Euros 505 million (USD 650 million) - 28 percent of GDP - the highest in the region. Most that was greenfield investments, as Montenegro nears complete divestment of state-owned assets. The GoM plans that over the next four years, foreigners will make over a billion euros of direct foreign investments into Montenegro. Thanks to a receptive attitude toward USAID funded macro-economic reform initiatives, the Government has adopted a business-friendly investment climate (e.g., 9 percent corporate tax rate, full repatriability of profits). Much of the FDI in 2006 was purchase of real property, with Russians, British and Irish leading the way. In April 2007, a U.S.-based firm landed the Euros 8 million (US\$ 10 million) contract to produce independent Montenegro's first passports.
BARNES